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Het neoliberalisme. Neoliberalen over economische orde en economische theorie.

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Summary

The subject of this study concerns the opinions on economic, and partly also social policy of writers who in general - in Dutch literature as well - are characterized as neoliberals.

Neoliberalism is a system of thought concerning the organization of society. As a system of economic policy it forms only a part of this. For the neoliberals have also given consideration to the organization of the life of the state and of society. Neoliberalism has roots in almost all the social sciences, and numbers followers among their practitioners. There are also links with (social) philosophy.

This study is restricted to ideas within political economy. But because neoliberalism is more than a system of economic policy, and forms part of a system of thought that embraces the whole organization of society, this wider framework cannot be entirely ignored. The other aspects also come indirectly into the discussion, when this is necessary for a good understanding of the system of economic policy.

There are two reasons for the limitation of this study to ideas in the field of political economy. Even with this limitation the ground that must be covered is still very broad. Moreover, the treatment of all aspects of neoliberalism as a cultural and political movement requires skills that presuppose a great knowledge of other subject areas than that of economic science.

Neoliberalism, as a movement of thought concerning economic policy, originated in the twenties, and especially in the thirties. This movement has exercised an influence up to the present day. One can even say that this influence has increased in the last ten years, both in the scientific world and in practical politics.

The first world war may be seen as marking the end of the nineteenth century, during which liberalism exercised a great influence on the practice of economic policy.

We can already observe in the Germany of about 1870 that economic politics, under the influence of the ideas of the historical school and of Marxism, is turning away from liberalism. Other opinions on economic policy are being strongly propagated and brought into practice. This tendency subsequently becomes stronger.

During and after the first world war completely new phenomena appear. During the war direct intervention quickly becomes more common. In this way the price mechanism is paralysed. After the war different countries go over to the centrally administered economy.

Neoliberalism originated partly out of alarm at this direct intervention in the economic process and at the centrally administered economy between the two world wars.

Neoliberalism harks back to the liberalism of the previous century. The principal idea of that liberalism was that the economic process is regulated by the working of the price-forming process. The neoliberals are of the opinion that in the last analysis economic policy has to do with the choice between the free exchange economy and the centrally administered economy as forms of organization in economic life. In this connection the neoliberals have devoted a great deal of attention in their studies to the working of the free exchange economy and of the centrally administered economy. They have a clear preference for the free exchange economy.

Movements directed against liberalism have originated mainly out of criticism of the price-forming process. These movements did not hesitate to set the price mechanism wholly aside through the introduction of a centrally administered economy.

The neoliberals recognize that the price-forming process does not work satisfactorily under all circumstances. For this reason they support an economic policy that attempts to remove these difficulties while retaining the price-forming system. These difficulties reveal themselves principally in the forming of monopolies, the trade cycle, the divergencies in private and social costs, and the unequal distribution of income and property.

This connection with liberalism on the one hand and the rejection of the collectivist movements on the other has led Röpke to designate his views as revisionary liberalism, liberal revisionism, liberal conservatism, constructive liberalism and also as a third way.

Many writers have no need to describe their views as anything other than liberalism or individualism. In Germany after the second world war the term "social market economy" came into vogue. This term was introduced by A.Müller-Armack in 1946, and has since then been current in politics and in science. In addition the terms "social liberalism" and "ORDO-liberalism" are to be found.

The label "neoliberalism", which was invented by opponents, can in Röpke's view lead to misunderstanding. It is more than an application of old thoughts to new circumstances.

Eucken calls the term "neoliberalism" tendentious. Opponents who want to make criticism easy for themselves can in his view easily place these views in the light of atheism and interest groups, with which they are sometimes said to be connected. Moreover this term in his view does not express precisely enough the nature of the ideas at issue. He does not see it as laissez-faire, but as a system in which the government concerns itself actively with economic life.

Nevertheless "Neoliberalism" has been chosen as the title of this study; it is the most current term in the literature. But the reader must be careful not to underestimate the distance between the liberalism of the last century and neoliberalism. In their strong criticism of capitalism the neoliberals go a long way with the socialists and the Marxists. But they explain

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the shortcomings of capitalism in a different way. Moreover, there is a difference in theoretical ideas. The result of all this is that they support a politics which stands sharply opposed to that of the socialists. They are as much opposed to the supporters of the status quo as to collectivism. According to them capitalism needs a thoroughgoing revision. When we keep all this in mind, there is nothing against the use of the term "neoliberalism". We can then ask, with Shakespeare, "What's in a name?".

Before the second world war neoliberalism had scarcely any influence on practical economic policy. Since then it has been applied here and there to an important extent.

This was incidentally so in Italy about 1950, in France after de Gaulle's coming to power in 1958, and in some Latin-American countries. Its influence in Central Europe was more lasting. That was especially the case in Austria, Switzerland and the German Federal Republic. The political course steered by Ludwig Erhard in the period 1948-1968, first as Minister of Economic Affairs and later as Federal Chancellor in the Federal Republic of Germany was strongly inspired by neoliberalism and the related concept of the social market economy. Most countries, however, under the influence of Keynes and Beveridge, follow the way of the welfare state. In Germany too a shift of accent in this direction occurs in the decade after Erhard, because the socialists then form part of the government. These welfare states become to a great extent bogged down at the end of the seventies. In practical politics the course is then changed in almost all countries. This occurs most obviously in England with the advent of the Thatcher cabinet in 1979.

In this study we shall investigate the nature of the theoretical content, the consistency and the practicability of the neoliberal ideas on economic policy. We shall try to discuss these systematically and to test them for consistency. Such a study - as far as we are aware - has not yet appeared. There do exist related studies, which have been noted and included in the bibliography when use has been made of them.

The following may be said about the structure of this study. The purpose of chapters two to four is to consider neoliberalism as a system of economic policy against the background of the development of thinking in economic policy and economic theory.

The second chapter treats of the principal characteristics of neoliberalism. First we deal with the ideas from which the neoliberals dissociate themselves: laissez-faire liberalism, direct intervention in the economic process, and the centrally administered economy. After this neoliberalism and the concept of the social market economy deriving from it are discussed. After the discussion of the main features of neoliberalism, the historical development of neoliberalism and its various schools and supporters is sketched in the third chapter, from the origin to the present day. The writers develop their ideas in different countries and against diverse social backgrounds.

In the second and third chapters we attempt to give plausibility to the view that the thinking on economic policy of neoliberalism has been influenced by certain developments in economic theory, especially in the inter-war period. In the first place the arguments in favour of rejecting the centrally administered economy are discussed. Then the theory of the market forms and the monetary overinvestment theory are dealt with. For these three subjects the neoliberals display a strong affinity. This is elaborated in the fourth chapter. There is also a discussion of the reason why the neoliberals showed themselves so unreceptive to the Keynesian approach to macro-economics.

After this discussion of the main features of neoliberalism, its historical development and its connections with economic theory, the views of the neoliberals are discussed in detail in chapters five to seven. For the purpose of arranging their views, we follow in broad outline the classification of objectives and instruments which was drawn up by a group of writers assembled by Kirschen. They classify the instruments in five groups: institutional changes, financial instruments, direct controls, the exchange rate, and monetary instruments.

In the fifth chapter we discuss the objectives which the neoliberals set themselves. The neoliberal ideas concerning the instruments are divided between the two following chapters. The views concerning the institutional set-up are discussed in the sixth chapter. The seventh chapter is devoted to the other instruments.

As a result of the method followed the ramifications and differentiations in neoliberalism mentioned above can receive their due. Where necessary some critical comment is provided in these chapters, and the final chapter falls back on this comment.

The programme of neoliberalism is not definitive. The writers often do no more than give indications of the direction in which they look for the solution. One hardly ever comes across ideas that have been completely worked out. Only a few writers have a system that has been fairly thoroughly worked out. Most of them have expressed their thoughts in a more precise way only within a restricted field. The individual contributions and the differences between them can be accurately plotted by the procedure here adopted.

It is true that through this method the systematic character of neoliberalism is put somewhat into the background, but this is remedied by the second chapter, which deals with the main features of neoliberalism.

After this exhaustive and detailed discussion of the objectives which the neoliberals want to reach and the instruments by which they wish to attain them, the foundation has been laid for the final chapter, in which the neoliberal system is subjected to a critical examination, and in which some conclusions are drawn concerning the consistency of the neoliberal views and their practicability.

In the introductory paragraph of chapter eight, the emphasis falls, in contradistinction to what was the case in the three previous chapters, on the making of comments on what the neoli-

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The material of this chapter is divided among five paragraphs. The second paragraph contains a consideration of the consistency of neoliberalism as a system of economic policy. Here problems arise which have to do with the question whether everything has been well thought out. In the third paragraph the practicability of neoliberalism as a system of economic policy is investigated. What is its reality content? Is it possible to find suitable instruments? Is the politics practicable? Are not the interest-(pressure-)groups too strong? Neoliberalism strongly opposes the phenomenon of the pressure groups, for example the position of power of the trade union movement, the farmers and the (large) entrepreneurs. Is not an excessive concentration of power in the hands of the government involved? The fourth paragraph deals with the relation between neoliberalism and welfare theory. The two have several points in common, although the neoliberals have hardly (or not at all) realized this. In the final paragraph a number of closing remarks are made. In this way neoliberalism is approached from various points of view, which are all of significance for an assessment of the neoliberal views.

The ideal picture which the neoliberals envisage can be approached in practice. But it has been pointed out on occasion that neoliberalism in part displays utopian tendencies, in the sense that the path from the ideal picture to concrete reality has been insufficiently investigated and is sometimes difficult to tread. Neoliberalism is associated with certain ideas concerning the free exchange economy. Changes in these ideas and a better insight into the working of the free exchange economy, both in theory and through empirical investigation prevent it from being and becoming a definitive system.

The free exchange economy has in the past been the subject of much criticism and up to the beginning of the eighties this criticism steadily increased. The call for replacement of Western economic systems by (for example) the centrally administered economy and the statutory industrial organization (corporatism) was everywhere heard. It is therefore extremely important from a neoliberal point of view to see that this criticism is partially unjustified, and that on the other hand it is possible to accommodate to just criticism within the existing system. According to the neoliberals it is neither necessary nor desirable for Western politics to change over to a different economic order. The objectives can be realized within our existing political framework.

The central thought of neoliberalism is to achieve the objectives of economic policy, not by the elimination of the price-forming system, but by supplementation and correction.

Neoliberalism is an open system: there exist a great variety of opinions. Modification of the objectives is possible and the priorities can shift. An improved insight into the working of the economic process and into the other techniques (e.g. regional planning) can be assimilated into the system itself.

The most important criterion for this will be that the developments will be directed towards freedom rather than towards its opposite.